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DEPARTMENT FOR WHA/CEN JASON MACK

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SUBJECT: LABOR MINISTER FRANCISCO MORALES

¶1. Summary: President Oscar Arias has named 65-year-old Francisco Morales to be Minister of Labor in his administration. Morales has a long history of government service, having previously served as Minister of Labor from 1972 to 1977, and as Minister of Agriculture from 1982 to ¶1986. With his strong ties to organized labor, Morales appears to be a concession pick by Arias, aimed at drawing labor unions into a social dialog, and to soften their resistance to the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). Morales has stated his intention to strengthen and modernize the country's workforce through education, and has already reached out to labor leaders who have previously refused to meet with Arias. End summary.

¶2. President Oscar Arias recently announced his choice of Francisco Morales Hernandez as Minister of Labor in the new administration, which took office May 8. A long-time leader within the National Liberation Party (PLN), Morales has served as minister in three previous administrations. After being elected as a deputy to the Legislative Assembly in 1970, Morales cut short his legislative tenure to serve as Minister of Labor for President Jose Figueres from 1972 to ¶1974. He continued his tenure as Labor Minister into the next administration, that of President Daniel Oduber, where he stayed until 1977. After his departure from the Oduber administration, Morales began teaching labor law at National University, but returned to government service from 1982 to 1986, as Minister of Agriculture for President Luis Alberto Monge.

¶3. With a long history of government service and strong ties to organized labor, Morales appears to be a concession pick by Arias, calculated to draw labor leaders into a dialog with the new administration and to ease implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). Despite their long-standing relationship with Morales, however, labor leaders are approaching his nomination cautiously. Gilbert Brown, Secretary General of the Rerum Novarum union, told Poloff that Morales will only be as effective as Arias allows him to be. Albino Vargas, Secretary of the National Public and Private Employees

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Association (ANEP) and one of CAFTA-DR's most vocal critics, in calling for a meeting with Morales, stated his belief that Morales is "humble" enough to meet in a "neutral" location. (This is a reference to the refusal of President Arias to accede to Vargas's earlier demand to meet at a venue other than the President's house.) In fact, Morales subsequently met with Vargas to discuss the various concerns of labor organizations.

¶4. In a recent interview, Morales stated that, while working with labor leaders opposed to CAFTA-DR will be important,

these leaders must understand that in order to increase salaries, grow the economy and improve education, health care and quality of life, Costa Rica will need the foreign investment that can only come with CAFTA-DR approval. When asked about his specific plans to improve the work environment in Costa Rica and to modernize the workforce, Morales emphasized education. He stated that the country's network of technical schools must change its admission standards to allow students without a high school diploma to receive occupational training. In addition, he hopes to introduce a system wherein workers can get educational credit for on-the-job training. In response to concerns that public sector salary increases have failed to keep pace with inflation, Morales said that workers will have to be patient while the Arias administration attempts to right the economy. He cited Arias's warning that his first year in office will be one of governmental austerity, and indicated that workers will necessarily be affected by the belt-tightening.

15. Born in 1940, Morales is married, with 3 children. He received a bachelor's degree in political science from the University of Chile, and a law degree from the University of Costa Rica.  
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